


CANADIAN GENERAL INVESTMENTS LIMITED

1971

Annual Report

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CANADIAN GENERAL INVESTMENTS LIMITED

Board of Directors

JOHN D. BARRINGTON

T. R. MEIGHEN, Q.C.

ALEX. E. BARRON

EDWARD F. RYAN

DAVID L. CAMPBELL

JOHN C. RYKERT

DOUGLAS N. KENDALL

J. ALLYN TAYLOR

A. BRUCE MATTHEWS, C.B.E., D.S.O.

DONALD C. WEBSTER

M. C. G. MEIGHEN, O.B.E.

DONALD J. A. WRIGHT

Officers

M. C. G. MEIGHEN, O.B.E. - - - - - *Chairman of the Board*

ALEX. E. BARRON - - - - - *President*

JOHN C. RYKERT - - - - - *Treasurer*

E. LOUISE MORGAN - - - - - *Secretary*

Auditors

PRICE WATERHOUSE & CO. - - - - - Toronto

Registrar and Transfer Agent

THE CANADA TRUST COMPANY - - - - - Toronto

Office of Company

110 YONGE STREET, SUITE 1702 (Telephone 366-2931) - - - - - Toronto

CANADIAN GENERAL INVESTMENTS LIMITED

TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting the Annual Report of your Company for the year ended December 31, 1971, consisting of the Consolidated Balance Sheet, and the Consolidated Statements of Income, Retained Earnings, and Changes in Net Assets, all as reported upon by your Company's Auditors.

The Balance Sheet discloses that the total consolidated assets of the Companies, as at December 31, 1971, amounted to \$103,747,647. From this amount should be deducted the liabilities including minority interest, namely, \$48,908 which leaves a net value of \$103,698,739. Based on the 960,941 common shares outstanding, as at December 31, 1971, each common share had an apparent equity value of approximately \$107.91.

The Consolidated Statement of Income discloses that your Company, after paying all expenses and providing for the minority interest, had net income for the year of \$2,644,411, which is equivalent to \$2.75 for each of the outstanding common shares.

During 1971 shareholders received stock dividends totalling \$2.40 per share in the form of immediately redeemable preference shares as follows: 60¢ on March 30th; 60¢ on June 30th; 60¢ on September 29th and 60¢ on December 30th.

Within certain limits the Income Tax Act (Canada) still permits the company to pay dividends which are free of Canadian income tax in the hands of the shareholders. However, there are two new features which may be summarized as follows:

- (a) No issue and redemption of preference shares will be required.

(b) The dividends received will reduce the cost base of your shares for the purpose of calculation of capital gain or loss on any future sale of the shares.

The Directors have decided to continue, for the time being, the policy of paying a 15% tax which will permit payment of dividends on the common shares which will be free of Canadian income tax in the hands of the shareholders. Such a dividend, in the amount of sixty cents per common share, has been declared payable March 30, 1972 to shareholders of record March 15, 1972.

The portfolio of investments, as at December 31, 1971, is to be found on pages 8 to 10 of this report.

A complete list of the securities held by C.G.I. and Third Venture Capital Limited is shown on the last page of this report.

Submitted on behalf of the Board.

M. C. G. Meighen

Chairman of the Board

Alex E. Bann

President

TORONTO, January 24, 1972.

Consolidated Balance Sheet

(Note 1)

Assets

	December 31	
	1971	1970
Investments at indicated market value (Note 2):		
Securities having a quoted market value - - - - -	\$ 99,512,813	\$89,106,249
Securities not having a quoted market value - - - - -	2,576,385	2,800,372
	<u>102,089,198</u>	<u>91,906,621</u>
(Cost as at—		
December 31, 1971—\$42,153,628		
December 31, 1970—\$42,320,348)		
Securities sold - - - - -	47,025	—
Income and other taxes recoverable - - - - -	3,404	44,688
Cash in bank - - - - -	1,608,020	192,552
	<u>\$103,747,647</u>	<u>\$92,143,861</u>

Liabilities and Shareholders' Equity

Accounts payable - - - - -	\$ 750	\$ 750
Securities purchased - - - - -	—	25,000
Minority interest in subsidiary - - - - -	48,158	29,197
Shareholders' equity:		
Capital stock—		
Authorized—		
25,046,602 3% non-cumulative non-voting preference shares with a par value of 20¢ each redeemable at the amount paid up thereon, after the issue and redemption during the year ended December 31, 1971 of 11,531,292 shares		
1,000,000 common shares without par value		
Issued and outstanding—		
960,941 common shares - - - - -	24,023,525	24,023,525
Unrealized gain on investments, excluding minority interest - - - - -	59,940,098	49,588,909
Retained earnings - - - - -	19,735,116	18,476,480
	<u>103,698,739</u>	<u>92,088,914</u>
	<u>\$103,747,647</u>	<u>\$92,143,861</u>

APPROVED ON BEHALF OF THE BOARD:

M. C. G. MEIGHEN, *Director*
A. BRUCE MATTHEWS, *Director*

Auditors' Report to the Shareholders of

CANADIAN GENERAL INVESTMENTS LIMITED:

We have examined the consolidated balance sheet of Canadian General Investments Limited and its subsidiary as at December 31, 1971 and the consolidated statements of income, retained earnings and changes in net assets for the year then ended. Our examination included an inspection of share certificates and other evidence of the investments held by the companies as at December 31, 1971 and a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the changes in their net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, January 14, 1972.

PRICE WATERHOUSE & Co.
Chartered Accountants.

I N V E S T M E N T S L I M I T E D

Y C O M P A N Y

Consolidated Statement of Income

	Year ended December 31	
	1971	1970
Income:		
Dividends received - - - - -	\$ 2,869,100	\$ 2,920,462
Interest earned - - - - -	37,440	60,755
	<u>2,906,540</u>	<u>2,981,217</u>
Expense:		
Management fee - - - - -	230,220	234,488
Directors' fees - - - - -	5,800	6,000
Miscellaneous - - - - -	20,569	24,673
	<u>256,589</u>	<u>265,161</u>
Income before income taxes and interest of minority shareholders - -	2,649,951	2,716,056
Provision for income taxes - - - - -	5,180	9,390
Income before minority interest - - - - -	2,644,771	2,706,666
Interest of minority shareholders - - - - -	360	277
Net income for the year - - - - -	<u>\$ 2,644,411</u>	<u>\$ 2,706,389</u>
Net income for the year per common share - - - - -	<u>\$2.75</u>	<u>\$2.82</u>

Consolidated Statement of Retained Earnings

	Year ended December 31	
	1971	1970
Balance at beginning of year - - - - -	\$18,476,480	\$17,707,593
Net income for the year - - - - -	2,644,411	2,706,389
Gain on investments sold or redeemed, excluding minority interest - - - - -	1,274,705	722,978
	<u>22,395,596</u>	<u>21,136,960</u>
Dividends paid on common shares in preference shares subsequently redeemed -	2,306,258	2,306,258
Tax paid under Section 105(2) of the Income Tax Act - - - - -	354,222	354,222
	<u>2,660,480</u>	<u>2,660,480</u>
Balance at end of year - - - - -	<u>\$19,735,116</u>	<u>\$18,476,480</u>
Dividends paid per common share - - - - -	<u>\$2.40</u>	<u>\$2.40</u>

**CANADIAN GENERAL INVESTMENTS LIMITED
AND SUBSIDIARY COMPANY**

Consolidated Statement of Changes in Net Assets

	Year ended December 31	
	1971	1970
Net assets at beginning of year - - - - -	\$ 92,088,914	\$93,795,209
Add:		
Net income for the year - - - - -	2,644,411	2,706,389
Gain on investments sold or redeemed, excluding minority interest - - -	1,274,705	722,978
Increase in unrealized gain on investments - - - - -	10,351,189	—
	<u>106,359,219</u>	<u>97,224,576</u>
Less:		
Dividends paid - - - - -	2,306,258	2,306,258
Tax paid under Section 105(2) of the Income Tax Act - - - - -	354,222	354,222
Decrease in unrealized gain on investments - - - - -	—	2,475,182
	<u>2,660,480</u>	<u>5,135,662</u>
Net assets at end of year - - - - -	<u><u>\$103,698,739</u></u>	<u><u>\$92,088,914</u></u>
Gain on investments sold or redeemed:		
Cost of investments at beginning of year - - - - -	\$ 42,320,348	\$40,089,544
Add: Purchase of investments during year - - - - -	1,171,794	3,375,065
	<u>43,492,142</u>	<u>43,464,609</u>
Less: Cost of investments at end of year - - - - -	42,153,628	42,320,348
Cost of investments sold or redeemed during year - - - - -	1,338,514	1,144,261
Proceeds from sale or redemption of investments during year - - - - -	2,613,712	1,868,794
Gain on investments sold or redeemed before minority interest - - -	1,275,198	724,533
Interest of minority shareholders - - - - -	493	1,555
Net gain on investments sold or redeemed - - - - -	<u><u>\$ 1,274,705</u></u>	<u><u>\$ 722,978</u></u>
Apparent liquidating value per common share:		
At beginning of year - - - - -	<u>\$ 95.83</u>	<u>\$97.61</u>
At end of year - - - - -	<u><u>\$107.91</u></u>	<u><u>\$95.83</u></u>

**CANADIAN GENERAL INVESTMENTS LIMITED
AND SUBSIDIARY COMPANY**

Notes to the Consolidated Financial Statements

DECEMBER 31, 1971

1. The consolidated financial statements include the accounts of the company and its 90% owned subsidiary, C.G.I. and Third Venture Capital Limited.
2. The indicated market values of quoted securities are the result of pricing the companies' holdings at the closing quoted market prices as at December 31. Such amounts do not necessarily represent the value of the total holding in any company which may be more or less than that indicated by market quotations. Securities not having a quoted market value have been included at values determined by the directors based principally on the underlying value of the assets represented by these securities.

CANADIAN GENERAL INVESTMENTS LIMITED

Summary by Industry

INDUSTRY	VALUE AS OF DEC. 31, 1971	PERCENT OF PORTFOLIO
Banks and Trust Companies - - - - -	\$ 20,416,250	20.0
Merchandising - - - - -	12,953,500	12.7
Business Forms - - - - -	10,605,000	10.4
Industrial Management - - - - -	9,289,562	9.1
Steel - - - - -	9,158,750	9.0
Investment Trusts - - - - -	7,824,000	7.7
Beverages - - - - -	6,188,000	6.1
Oils - - - - -	6,170,250	6.0
Metals - - - - -	5,108,750	5.0
Packing - - - - -	4,275,000	4.2
Pipelines - - - - -	2,892,500	2.8
Miscellaneous - - - - -	2,239,500	2.2
Forest Products - - - - -	1,381,183	1.4
Metal Products - - - - -	1,200,000	1.2
Finance - - - - -	991,375	1.0
Utilities - - - - -	975,000	.9
Venture Capital - - - - - (See Page 11)	420,578	.3
	<hr/>	<hr/>
	\$102,089,198	100.0

CANADIAN GENERAL INVESTMENTS LIMITED

Portfolio of Investments

AS AT DECEMBER 31, 1971

No. of Shares		Total Market Value \$	% of Portfolio	No. of Shares		Total Market Value \$	% of Portfolio
Banks and Trust Companies				Industrial Management			
		20,416,250	20.0			9,289,562	9.1
15,000	Bank of Montreal - - - - -	273,750		730,000	Argus Corporation Class "C" Prefd. - - - - -	7,026,250	
760,000	Huron and Erie Mortgage Corporation - - - - -	18,430,000		28,729	The Ravelston Corp. Ltd. - - -	—	
40,000	Royal Bank of Canada - - - -	1,130,000		268,483	The Ravelston Corp. Ltd. Prefd. -	2,263,312	
20,000	Toronto-Dominion Bank - - -	582,500					
Beverages				Note: Argus Corporation holds shares in the following companies: British Columbia Forest Products, Dominion Stores, Domtar Limited, Hollinger Mines Massey-Ferguson and Standard Broadcasting Corp. Ltd.			
		6,188,000	6.1				
104,000	Distillers Corporation-Seagrams -	6,188,000					
Business Forms				Investment Trusts			
		10,605,000	10.4			7,824,000	7.7
280,000	Moore Corporation - - - - -	10,605,000		652,000	Third Canadian General Investment Trust - - - - -	7,824,000	
Finance				Merchandising			
		991,375	1.0			12,953,500	12.7
51,500	Industrial Acceptance Corporation	991,375		270,000	Canadian Tire Corporation "A" Prefd. - - - - -	9,585,000	
				7,000	Cochrane-Dunlop Hardware - -	266,000	
Forest Products				120,000	Simpsons - - - - -	2,610,000	
4,000	Maclaren Power & Paper Class "A" - - - - -	58,000		20,000	Woodward Stores Limited - -	492,500	
8,500	Maclaren Power & Paper Class "B" - - - - -	129,625					
69,615	Maclaren 1.00 Prefd. - - - -	34,808		Metal Products			
45,000	MacMillan, Bloedel Ltd. - - -	1,158,750				1,200,000	1.2
				100,000	Hayes Dana Ltd. - - - - -	1,200,000	

CANADIAN GENERAL INVESTMENTS LIMITED

No. of Shares		Total Market Value \$	% of Portfolio	No. of Shares		Total Market Value \$	% of Portfolio
	Metals	5,108,750	5.0		Pipelines	2,892,500	2.8
	(a) Base Metals	2,013,750		80,000	Interprovincial Pipe Line - - -	2,360,000	
90,000	Cominco Limited - - - - -	2,013,750		15,000	TransCanada PipeLines - - -	532,500	
	(b) Other Metals and Minerals	3,095,000			Steel	9,158,750	9.0
				220,000	Algoma Steel Corporation - -	2,915,000	
60,000	Alcan Aluminium Ltd. - - - -	1,095,000		150,000	Dominion Foundries & Steel - -	3,618,750	
62,500	International Nickel Co. of Canada - - - - -	2,000,000		100,000	Steel Company of Canada - - -	2,625,000	
	Oils	6,170,250	6.0		Utilities	975,000	.9
				50,000	Consumers' Gas - - - - -	975,000	
160,000	Imperial Oil - - - - -	4,980,000			Venture Capital	420,578	.3
10,000	Shell Canada "A" - - - - -	730,000			(see page 11)		
5,000	Shell Inv. 5½% Prefd. - - - -	181,250			Miscellaneous	2,239,500	2.2
36,000	D. A. Stuart Oil - - - - -	279,000					
	Packing	4,275,000	4.2	33,000	Scott's Restaurant Co. Ltd. - -	511,500	
225,000	Canada Packers Limited - - -	4,275,000		24,000	Southam Press Limited - - -	1,728,000	

C. G. I. AND THIRD VENTURE CAPITAL LIMITED

Authorized Capital—

10,000 6% non-cumulative, non-voting preference shares with a par value of \$100 each redeemable at the amount paid up thereon.

100,000 common shares without par value.

Issued for cash and outstanding—

4,000 preference shares

and 100,000 common shares.

As at December 31, 1971 Canadian General Investments Limited held 3,600 preference shares and 90,000 common shares for a total investment of \$450,000. Third Canadian General Investment Trust Limited held 400 preference shares and 10,000 common shares for a total investment of \$50,000. There are no other shareholders.

Portfolio of Investments

AS AT DECEMBER 31, 1971

No. Shares		Class	Total Value
15,000	Canada Tungsten Mining Corporation - - - - -	Common	\$ 23,250
5,000	Gibraltar Mines Limited - - - - -	Common	24,750
5,000	Glendale Mobile Homes - - - - -	Common	24,500
10,000	Helix Investments Ltd. - - - - -	Common	10,000
10,000	Helix Investments Ltd. - - - - -	Preferred	100,000
15,780	Hermes Electronics Ltd. - - - - -	Common	28,265
2,000	Hermes Electronics Ltd. - - - - -	Preferred	40,000
1,000	Hoborough Limited - - - - -	Preferred	1,750
10,000	Ionarc Smelters Ltd. - - - - -	Common	12,500
5,000	Leigh Instruments Ltd. - - - - -	Common	25,000
2,000	MacLean-Hunter Cable TV - - - - -	Common	16,500
2,500	Microsystems International Limited - - - - -	Common	14,063
5,000	Oxyplast Limited - - - - -	Common	50,000
5,000	Venturetek International Limited - - - - -	Common	25,000
2,500	Venturetek International Limited - - - - -	Preferred	25,000
	Sub-total - - - - -		420,578
	Cash held for investment - - - - -		61,368
			<u>\$481,946</u>

NOTE: Securities not having a quoted market value have been included at values determined by the Directors based principally on the underlying value of the assets represented by these securities.

